

Message Text

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SUMMARY. THIS MESSAGE TRANSMITS THE SUBSTANCE OF A WIDE-RANGING CONVERSATION ON PENDING BILATERAL ISSUES. THESE INCLUDED FM-DESIGNATE KIFLE WODAJOS FORTHCOMING MEETING WITH THE SECRETARY, WITH WHOM HE IS TO "SPEAK FRANKLY"; EPMG INTENTIONS SIGNIFICANTLY TO INCREASE ARMS PURCHASES FROM THE US; PROGRESS ON MAAG SUPPORT COSTS/PARKING AND LANDING FEES; THE RECASTING OF THE KAGNEW NINTH SUPPLEMENTAL LEASE AND THE PAYMENT OF KAGNEW UTILITY COSTS BEING INCURRED BY THE ETHIOPIAN FORCES; AN IMMINENT ANNOUNCEMENT ON ERITREA; REPRESENTATIONS ON THE INVIOABILITY OF USIS PREMISES AND ON THE RESURGENT ECCE MILK CASE. END SUMMARY.

1. POL COUNSELOR CALLED AT OWN INITIATIVE ON MOFA'S AMERICAN AFFAIRS DIRECTOR, VICEMIN MOHAMED HAMID IBRAHIM, JANUARY 2 TO DISCUSS RESURGENT ECCE MILK CASE (CF ADDIS 5498 OF MAY 9, 1973) AND INVIOABILITY OF USIS PREMISES (PER STATE 283443). IN RESPONSE REPRESENTATIONS ON FORMER FOR MOFA INTERVENTION TO BLOCK ASMARA TAX OFFICE THREAT OF FORCED JANUARY 13 SALE BY PUBLIC AUCTION OF ECCE REAL ESTATE TO SATISY COMPANY'S ALLEGED TAX LIABILITY, HAMID PROMISED DO NECESSARY, "THERE BEING NO DISAGREEMENT BETWEEN UN ON THIS ISSUE." POL COUNSELOR LEFT AIDE MEMOIRE ON LATTER, WHICH HAMID ACCEPTED WITH PERSONAL EXPRESSION OF UNDERSTANDING BUT
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WITHOUT FURTHER SUBSTANTIVE COMMENT. WE WILL POUCH TEXT.

2. FOLLOWING THESE TRANSACTIONS, POL COUNSELOR SPEAKING PERSONALLY (WITHOUT INSTRUCTIONS AND OFF THE RECORD") SAID HE WOULD LIKE INFORMALLY TO INVITE HAMID'S ATTENTION TO POSSIBLE FUTURE ISSUES WHICH MIGHT ARISE IF THE PRELIMINARY INDICATIONS REACHING THE EMBASSY OF THE EPMG'S MILITARY PROCUREMENT INTENTIONS PROVED ACCURATE. FROM THE INFORMATION REACHING US IT WOULD APPEAR THAT THE "DIRG" HAD DECIDED TO PURCHASE MILITARY EQUIPMENT FROM THE US WELL IN EXCESS OF THE \$US53 MILLION PREVIOUSLY DISCUSSED. THIS SUGGESTED INTER ALIA THAT, GIVEN THE LIKELY SIZE OF ETHIOPIA'S RESOURCE BASE AND THE EPMG'S ECONOMIC DEVELOPMENT SPENDING COMMITMENTS, ETC., RESOURCE AVAILABILITY PROBLEMS MIGHT ARISE IN BOTH FIELDS. FOR EXAMPLE, THE EVENTUAL ACQUISITION OF SUBSTANTIAL NUMBERS OF F5E AIRCRAFT SHOULD BE EXPECTED VERY SIGNIFICANTLY TO RAISE O&M COSTS. HAMID, NOTING POL COUNSELOR WAS SPEAKING PERSONALLY AND INFORMALLY, SAID HE WISHED TO RESPOND IN KIND. VERY SIGNIFICANT MILITARY PURCHASES HAD INDEED BEEN DECIDED BY THE EPMG. THE RESOURCE QUESTION HAD BEEN MOST CAREFULLY CONSIDERED AND FUNDS NOT ONLY TO SATISFY INITIAL ACQUISITION COSTS BUT ADEQUATE TO MEET FOLLOW-ON NEEDS, INCLUDING OPERATING EXPENSES, HAD BEEN SET ASIDE FOR THE PURPOSE. IF HE MIGHT MAKE AN IMPASSIONED PLEA IT WOULD BE THAT THE USG AGREE TO GO ALONG WITH THESE SALES. "WE ARE TRYING TO MAKE UP FOR THE NEGLECT OF THE OLD ORDER" AND THE ALTERNATIVES TO PROCUREMENT FROM THE US, HAMID INTIMATED, WOULD BE NEITHER TO HIS LIKING NOR TO OURS. POL COUNSELOR THEN SAID THAT THERE WAS NO ISSUE AT PRESENT. THE EMBASSY COULD NOT JUDGE ETHIOPIA'S RESOURCE BASE FULLY AT THIS JUNCTURE GIVEN THE CHANGES IN GOVERNMENT ORGANIZATION, TAX COLLECTION, THE POSSIBILITY OF FOREIGN LOANS AND SO FORTH. IT DID CONSIDER THE POTENTIAL OF A RESOURCE CRUNCH REAL ENOUGH TO MAKE IT SEEM OPPORTUNE EARLY-ON TO FLAG THE NEED FOR ADEQUATE ATTENTION TO THESE FACTORS. WASHINGTON WOULD CERTAINLY ADDRESS THESE QUESTIONS AT SOME POINT. HAMID EXPRESSED AGREEMENT AND APPRECIATION FOR THE IMPORTANCE OF TIMELY ATTENTION TO THEM BUT REPEATED THAT THEY HAD BEEN CONSIDERED.

3. HE THEN SAID THAT FM-DESIGNATE KIFLE WODAJO HAD AN APPOINTMENT TO SEE THE SECRETARY "AFTER THE HOLIDAYS." HE HAD BEEN INSTRUCTED TO SPEAK FRANKLY OF EPMG'S HOPES AND NEEDS TO DR. KISSINGER. HAMID SAID THAT THE EPMG CHAIRMAN, BG TEFERI BENTI ALSO PLANS
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TO CALL IN THE US CHARGE "SOON." HE WOULD NOT BE DRAWN OUT ON THESE POINTS.

4. HAMID, CHANGING SUBJECTS, THEN SAID THAT THE APPOINTMENT OF MOFA'S AMBASSADOR AYALEW AS MOD HAD VASTLY IMPROVED COORDINATION BETWEEN THE TWO MINISTRIES. HE HAD EASY ACCESS TO MOD AND HAD TAKEN UP THE NINTH SUPPLEMENTAL LEASE/KAGNEW UTILITIES ISSUE WITH HIM. THEY HAD FOUND IT NECESSARY TO CHANGE

THE LEASE'S PREAMBLE/CLOSING LANGUAGE BUT NOT RPT NOT THE SUBSTANCE WE HAD PROPOSED. THE REASONS WERE EXCLUSIVELY RELATED TO THE "DIRG'S" DESIRE TO MINIMIZE ITS POLITICAL VULNERABILITIES. THESE WERE IINHERENT IN THE SEQUENCE OF EVENTS, VIZ., THE ANNOUNCEMENT OF A KAGNEW PHASE-DOWN BY AN EARLIER GOVERNMENT FOLLOWED BY THE SIGNING OF A "NINTH SUPPLEMENTAL LEASE" BY THE EPMG. THEY HAD SOLVED THE PROBLEM BY RELATING THE SUBSTANCE OF THE NINTH SUPPLEMENTAL LEASE IN THE PREAMBLE TO THE PHASE-DOWN. THE SUBSTANCE OF THE AGREEMENT PROPOSED BY US HAD BEEN MAINTAINED. WE WOULD RECEIVE THEIR PROPOSAL SHORTLY AND HAMID THOUGHT WE SHOULD BE ABLE TO ACCEPT IT QUICKLY. HE ALSO WANTED US TO KNOW THAT MOD HAD AGREED TO PAY KAGNEW UTILITIES COSTS AND HAD SO INFORMED MOFA. LATTER EXPECTED FORMALLY TO COMMUNICATE THIS AGREEMENT TO US AFTER WE RECEIVE ABOVE-DESCRIBED MOFA REDRAFT OF OUR NINTH SUPPLEMENTAL LEASE.

5. ON THE MAAG SUPPORT COSTS/PARKING AND LANDING FEES QUESTION HAMID SAID PROGRESS ALSO BEING MADE. CAA HAD AGREED TO GIST OF OUR PROPOSAL. MOFA WORKING WITH MOD AND MINFIN ON LIQUIDATION OF ARREARS. IF ALL ARREARS CANNOT BE LIQUIDATED AS WE PROPOSED - - AND HAMID SAID "I THINK WE (EPMG) SHOULD PAY" - - HE WOULD TRY AT MINIMUM FOR SUBSTANTIAL PAYMENT TO REDUCE ARREARS. POL COUNSELOR STRONGLY ENCOURAGED COMPLETE LIQUIDATION OF THESE OBLIGATIONS IN MUTUAL INTEREST AND HAMID REPEATED HE WOULD DO HIS BEST.

6. POL COUNSELOR THEN TOUCHED ON ERITREAN PROBLEM AND ASKED THAT EMBASSY BE KEPT CLOSELY INFORMED OF EPMG'S ASSESSMENTS GIVEN INTER ALIA THE MUTUAL INTEREST IN THE SECURITY OF THE AMERICAN PRESENCE THERE. HAMID SAID THAT HE WOULD DO WHAT HE COULD. AN IMPORTANT ANNOUNCEMENT ON ERITREA IS IMMINENT, HE SAID, AND EPMG GOODWILL DELS SHOULD LEAVE SHORTLY FOR CAIRO, DAMASCUS, BEIRUT AND BAGHDAD IN THIS CONTEXT (CF SEPTTEL).
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